



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

WENDY L. WATANABE
CHIEF DEPUTY

September 12, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **CHIEF EXECUTIVE OFFICE - RANCHO BUSINESS CENTER
FINANCIAL/COMPLIANCE AUDIT**

At the request of the Chief Executive Office (CEO), we contracted with a Certified Public Accountant, Moss, Levy & Hartzheim, LLP (Moss), to audit the County's lease and development agreements with Fremont Rancho, Ltd. (Fremont). The County's agreements with Fremont allow the company to develop and sublease commercial space on Imperial Highway in Downey, south of Rancho Los Amigos National Rehabilitation Center. The agreements require Fremont to pay the County minimum rent, percentage rent and additional rent for the use of the property.

Moss' report (attached) indicates that Fremont paid the County approximately \$13.3 million in rent from January 1990 to June 2006. Moss' report also indicates that Fremont underpaid the County by \$496,576 in rent over the term of the agreements. The underpayments were due to a combination of miscalculations of gross rents, good faith deposits and cost of living adjustments. In addition, Moss noted that Fremont did not comply with the required record retention and reporting procedures. As a result, Moss could not determine if Fremont paid the County any rent from January 1990 through June 1990, August 1990 through February 1991 and May 1992. Fremont indicated that they will work with the County to address these issues.

Moss discussed the results of their review with Fremont. At this time, Fremont has agreed to pay the County \$9,111 related to minimum and adjusted minimum rent underpayments. CEO management is currently working with County Counsel and Fremont to resolve the remaining \$487,465 underpayments related to percentage rent. Once this matter has been resolved, the CEO will provide the Board with a settlement proposal and contract amendments. The amendments are intended to clarify issues that led to the underpayment of rent by Fremont and to clarify record retention requirements.

Please call me if you have any questions, or your staff may call Jim Schneiderman at (626) 293-1101.

JTM:MMO:JLS:MWM:JU

Attachment

c: William T Fujioka, Chief Executive Officer
Raymond G. Fortner, Jr., County Counsel
Sachi Hamai, Executive Officer
Audit Committee
Public Information Office

**2006 CHIEF ADMINISTRATIVE OFFICE
RANCHO BUSINESS CENTER F/C AUDIT**

**LEASE AGREEMENT AND
INDEPENDENT ACCOUNTANT'S REPORT**

FOR THE CONTRACT PERIODS:

**RANCHO BUSINESS CENTER PHASE I AND II
JANUARY 1, 1990 TO JUNE 30, 2006**

**RANCHO BUSINESS CENTER PHASE IIIA
DECEMBER 1, 1998 TO JUNE 30, 2006**

MOSS, LEVY & HARTZHEIM, LLP

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MEMBER:

AMERICAN INSTITUTE OF C.P.A.'S
CALIFORNIA SOCIETY OF C.P.A.'S
CALIFORNIA SOCIETY OF
MUNICIPAL FINANCE OFFICERS
CALIFORNIA ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS

OFFICES:

BEVERLY HILLS, CALIFORNIA
SANTA MARIA, CALIFORNIA

Mr. J. Tyler McCauley
Auditor-Controller
County of Los Angeles

We have performed the procedures enumerated below to the accompanying Minimum Rent, Percentage Rent, and Additional Rent Schedules of Fremont Rancho, Ltd. (Fremont) for the contract years January 1, 1990 to June 30, 2006 for Rancho Business Center Phase I and II and December 1, 1998 to June 30, 2006 for Rancho Business Center Phase IIIA. These procedures, which were agreed to by the County of Los Angeles (County) and Fremont (as presented in the Ground Lease and Development Agreement, under Article 16.14), were performed solely to assist the County in determining that the requirements per the signed lease agreement in regards to Minimum Rent, Percentage Rent, and Additional Rent were being met. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or any other purpose.

As described in the following procedures below, Fremont did not comply with all of the contract requirements in regards to rent calculations. Compliance with such requirements is necessary, in our opinion, for Fremont to comply with the requirements applicable to rent in the contract.

In our opinion, except for the noncompliance described in the following procedures, Fremont complied, in all material respects, with the requirements referred to in Articles 3.02 through 3.06 of the lease contract for Rancho Business Center Phase I and II, and Articles 3.2 through 3.6 of the lease contract for Rancho Business Center Phase IIIA for the contract years 2000 and 2005.

The procedures performed and our findings are described below:

1. We reviewed the lease agreements in regards to the minimum rent due for the first 35 months of the lease for Phases I and II (per the contract), and the first 6 years of the lease for Phase IIIA (per the contract) in order to determine that Fremont was paying the correct monthly lease amounts for these periods. We obtained the amounts that were actually paid by Fremont to the County from check stubs that were retained by Fremont.

Finding:

In regards to Phase IIIA, for January 2000 and February 2000, Fremont underpaid the County by \$1,009 and \$2,170, respectively. This was due to a miscalculation with the "Good Faith Deposit" that was initially paid. Please see attached schedules.

Recommendation:

We recommend that Fremont pay the balance due to the County.

Response:

While Fremont asserts that the calculation they used was agreed to by the County, Fremont acknowledges that the calculation they made was in error and they have agreed to pay the difference.

2. For Phase I and II, we determined the minimum rent due for the 36th month based on the total net developable area (total number of square feet contained within the property, exclusive of areas dedicated or offered for dedication for street purposes and areas within any easements which may not be used for parking or landscaping purposes) within the property multiplied by \$6.00 per square foot multiplied by eight percent.

Finding:

No exceptions were noted as a result of our procedures.

Recommendation:

N/A

Response:

N/A

3. Based on the minimum rent amounts (as stated in the contract) and the corresponding CPI rate increases, we calculated the adjusted minimum rent amounts for Phases I, II, and IIIA. We compared these amounts with the amounts paid by Fremont to the County based on the check stubs that were retained by Fremont.

Finding:

For Phases I and II, from January 1990 to June 2006 (excluding January 1990 to June 1990, August 1990 to February 1991, and May 1992 due to a lack of documentation (see finding #7)), Fremont underpaid the County by a total of \$5,932. Please see attached schedules.

Recommendation:

We recommend that Fremont pay the County the amount due.

Response:

Fremont agrees with the calculations and will pay the difference.

4. We obtained the cash receipt reports, the general ledger, and the bank statements for the year 2000 and 2005 for Phases I and II, and for the year 2005 for Phase IIIA in order to verify that the amounts being collected and deposited were the amounts that were being recorded in the respective general ledgers. This was done because the percentage rent that Fremont paid to the County was based on the gross rents received by Fremont from its tenants. Additionally, we also sent confirmations to the tenants that occupy the Rancho Business Center in order to verify the rent amounts that were recorded as cash receipts by Fremont.

Finding:

No exceptions were noted as a result of our procedures.

Recommendation:

N/A

Response:

N/A

5. We obtained the general ledger for the contract years 2000 and 2005 for Phase I and Phase II and the general ledger for the contract year 2005 for Phase IIIA and tied the applicable revenue and expenditure line items from the general ledgers to the income statements that were submitted to the County. The reason for this procedure is that Fremont is to pay 5% of its gross rents (net of specified expenditures such as CAM, property management fees, operating expenses of property, real estate taxes and other taxes, insurance premiums, and any other costs and expenses incurred by tenant in connection with the ownership, operation, and management of the property to the extent reimbursed by subtenants under the terms of their respective subleases). We then selected samples of expenditure items from the 2000 and 2005 general ledgers for Phases I and II, and the 2005 general ledger for Phase IIIA in order to determine if unallowable expenditure items were charged as expense items to offset the gross rent amounts. Based on the above information and the information contained in the general ledgers and

income statements for the remaining contract periods (from the inception of the contract through June 30, 2006), we calculated the percentage rent amounts that were due to the County by Fremont for Phases I, II, and IIIA. We then compared these amounts with the amounts paid by Fremont to the County based on the check stubs that were retained by Fremont.

Finding:

We noted that Fremont was reducing its gross rents by an unallowable expenditure. Fremont was reducing its gross rents by the amount paid to the County as rent per the lease agreement. This resulted in a lower gross rent amount which caused Fremont to under pay the County for the percentage rent that was due. We noted the same for all of the contract years in which percentage rent was payable. For Phases I and II, Fremont under paid the County by \$482,839. For Phase IIIA, Fremont under paid the County by \$4,626.

We also noted that Fremont was not submitting monthly gross rent figures to the County. Instead, Fremont would take the prior year's total gross rents, and divide that figure by 12. At the end of the respective current year, Fremont would calculate the actual gross rents and either pay the County the difference due or reduce its next payment by the over paid amount. Per the lease agreement (Article 16.14 - No later than the 25th day of each calendar month beginning with the month in which Percentage Rent starts, Tenant shall render to Landlord a detailed statement showing Gross Rents received during the preceding calendar month, together with the amount payable to Landlord as Percentage Rent with respect to such Gross Rents Received as elsewhere herein provided, and shall accompany same with remittance of amount so shown to be due...The monthly reporting period shall be by calendar month), this form of payment method is not allowed. Additionally, Fremont was making its payments based on the calendar year gross rents instead of the contract year. Additionally the contract states (Article 16.14 - If the report of Gross Rents received by Tenant to the Landlord's Auditor-Controller should be found to be less than the amount of Gross Rents received disclosed by such audit and observation, Tenant shall pay the delinquent amount within thirty (30) days of billing therefore. If the additional amount due exceeds two percent, and there is no reasonable basis for the failure to report and pay thereon, Tenant shall also pay the cost of the audit.)

Recommendation:

We recommend that the Gross Rent amount only be reduced by allowable expenditure items. Fremont should submit payment in the amount of \$487,465 for the amount that was under paid for percentage rent. We also recommend that monthly gross rent figures be submitted to the County on a monthly basis per the lease agreement, and that the monthly payments that are made coincide with the gross rent figures stated on the monthly reports. Estimated amounts should not be used.

Response:

The procedure for calculating the percentage rent was agreed upon prior to lease commencement. It was felt that paying percentage rent upon the minimum rent paid to the County in effect would be paying double rent. While we agree that the language in the lease is ambiguous, the minimum rent has been deducted for approximately 13 years, which is clearly the intent of both parties. It does not make sense to pay rent upon rent.

As of June 4, 2007, this issue has not been resolved.

Regarding the reporting procedure, it was felt by both parties that it was easier to calculate the percentage rent on an annual basis, pay it monthly and adjust at the end of the year. This is in part due to the fact that rental income varies monthly due to common area collections, real estate taxes and tenant turnover. In addition, the history of the property shows that the actual dollar amount of the annual adjustment is small.

The reason that it was agreed to use the calendar year versus the lease year for reporting purposes was so that the parties would have a clear picture as to the operating history for the entire year. If the calendar year is not used, some of the revenue and expenses that are paid and received annually are not shown. In the long run, the dollars involved are exactly the same.

Fremont will seek to request an amendment to the contract that requires a reconciliation between the actual gross rents received (net of allowable deductions) and the estimated gross rents received (net of allowable deductions), that is based on prior period actual numbers, on a semi-annual basis instead of calculating the actual gross rents received (net of allowable deductions) on a monthly basis.

6. Per the Phase IIIA lease agreement, Fremont was to pay additional rent during the first 7 years of the lease by constructing for the Landlord the infrastructure improvements, and such other off-site improvements as may finally be determined to be required by any governmental agencies having jurisdiction over the property. As a part of our procedures, we visited the site that Phase IIIA is located on.

Finding:

No exceptions were noted as a result of our procedures.

Recommendation:

N/A

Response:

N/A

7. We obtained a list of rent payments (which included rent payments for minimum rent, adjusted minimum rent, and gross percentage rent) that had been received by LA County and compared these amounts to documentation (check stubs) that was retained by Fremont.

Finding:

Due to a lack of historical records not being retained by Fremont, we were unable to determine if Fremont paid the correct rent amounts from January 1990 through June 1990, August 1990 through February 1991, and May 1992. Per the lease, Fremont "shall at all times during the term of this lease and for seven (7) years thereafter, keep, or cause to be kept, locally, to the satisfaction of Landlord's Auditor-Controller, true, accurate and complete records and double-entry books of account)". This was a scope limitation which affected our ability to verify the rent amounts.

Recommendation:

We recommend that Fremont obtain the necessary documentation for the periods in question so that it can be determined if Fremont has paid the correct rent amounts.

Response:

Fremont believed that record retention would be for a period of 7 years, but upon further investigation, it was determined that the record retention period would be for the term of the lease and for seven years thereafter. Fremont would like to work with the County to amend this portion of the contract. A lease amendment will be requested by Fremont so that audits will be performed on a regular basis and that the record retention period will be amended based on the frequency of the audits that are performed by the independent auditor.

8. In the event Fremont cannot meet its lease obligations, the County would advance monies on behalf of Fremont. This amount would then be considered Additional Rent. Fremont did not require the need for Additional Rent.

Finding:

No exceptions were noted as a result of our procedures.

Recommendation:

N/A

Response:

N/A

This report is intended solely for the information and use of the County of Los Angeles and is not intended to be and should not be used by anyone other than this specified party.

Moss, Levy & Hartzheim
Moss, Levy & Hartzheim, LLP
Beverly Hills, California
February 7, 2007

RANCHO BUSINESS CENTER PHASES I AND II
MINIMUM RENT AND ADJUSTED MINIMUM RENT SCHEDULE
FOR PERIOD 1/1/1990-6/30/2006

Payment for Period:	Minimum Rent Due	Minimum Rent Paid	Amount Due to County
January 1990	\$ 16,666	Unknown	Unknown
February 1990	16,666	Unknown	Unknown
March 1990	16,666	Unknown	Unknown
April 1990	16,666	Unknown	Unknown
May 1990	16,666	Unknown	Unknown
June 1990	16,666	Unknown	Unknown
July 1990	16,666	16,667	(1)
August 1990	16,666	Unknown	Unknown
September 1990	16,666	Unknown	Unknown
October 1990	16,666	Unknown	Unknown
November 1990	16,666	Unknown	Unknown
December 1990	16,666	Unknown	Unknown
January 1991	16,666	Unknown	Unknown
February 1991	16,666	Unknown	Unknown
March 1991	16,666	16,667	(1)
April 1991	16,666	16,667	(1)
May 1991	16,666	16,667	(1)
June 1991	16,666	16,667	(1)
July 1991	16,666	16,667	(1)
August 1991	16,666	16,667	(1)
September 1991	16,666	16,667	(1)
October 1991	16,666	16,667	(1)
November 1991	16,666	16,667	(1)
December 1991	16,666	16,667	(1)
January 1992	16,666	16,667	(1)
February 1992	16,666	16,667	(1)
March 1992	16,666	16,667	(1)
April 1992	16,666	16,667	(1)
May 1992	16,666	Unknown	Unknown
June 1992	16,666	16,667	(1)
July 1992	16,666	16,667	(1)
August 1992	16,666	16,667	(1)
September 1992	16,666	16,667	(1)
October 1992	16,666	16,667	(1)
November 1992	43,312	43,312	-
December 1992	60,512	60,512	-
January 1993	60,512	60,512	-
February 1993	60,512	60,512	-
March 1993	60,512	60,512	-
April 1993	60,512	60,512	-
May 1993	60,512	60,512	-
June 1993	60,512	60,512	-
July 1993	60,512	60,512	-
August 1993	60,512	60,512	-
September 1993	60,512	60,512	-

RANCHO BUSINESS CENTER PHASES I AND II
MINIMUM RENT AND ADJUSTED MINIMUM RENT SCHEDULE
FOR PERIOD 1/1/1990-6/30/2006

<u>Payment for Period:</u>	<u>Minimum Rent Due</u>	<u>Minimum Rent Paid</u>	<u>Amount Due to County</u>
October 1993	60,512	60,512	-
November 1993	60,512	60,512	-
December 1993	60,512	60,512	-
January 1994	60,512	60,512	-
February 1994	60,512	60,512	-
March 1994	60,512	60,512	-
April 1994	60,512	60,512	-
May 1994	60,512	60,512	-
June 1994	60,512	60,512	-
July 1994	60,512	60,512	-
August 1994	60,512	60,512	-
September 1994	60,512	60,512	-
October 1994	60,512	60,512	-
November 1994	60,512	60,512	-
December 1994	60,512	60,512	-
January 1995	60,512	60,512	-
February 1995	64,299	64,299	-
March 1995	64,299	64,299	-
April 1995	64,299	64,299	-
May 1995	64,299	64,299	-
June 1995	64,299	64,299	-
July 1995	64,299	64,299	-
August 1995	64,299	64,299	-
September 1995	64,299	64,299	-
October 1995	64,299	64,299	-
November 1995	64,299	64,299	-
December 1995	64,299	64,299	-
January 1996	64,299	64,299	-
February 1996	64,299	64,299	-
March 1996	64,299	64,299	-
April 1996	64,299	64,299	-
May 1996	64,299	64,299	-
June 1996	64,299	64,299	-
July 1996	64,299	64,299	-
August 1996	64,299	64,299	-
September 1996	64,299	64,299	-
October 1996	64,299	64,299	-
November 1996	64,299	64,299	-
December 1996	64,299	64,299	-
January 1997	64,299	64,299	-
February 1997	64,299	64,299	-
March 1997	64,299	64,299	-
April 1997	64,299	64,299	-
May 1997	64,299	64,299	-
June 1997	64,299	64,299	-

RANCHO BUSINESS CENTER PHASES I AND II
MINIMUM RENT AND ADJUSTED MINIMUM RENT SCHEDULE
FOR PERIOD 1/1/1990-6/30/2006

<u>Payment for Period:</u>	<u>Minimum Rent Due</u>	<u>Minimum Rent Paid</u>	<u>Amount Due to County</u>
July 1997	64,299	64,299	-
August 1997	64,299	64,299	-
September 1997	64,299	64,299	-
October 1997	64,299	64,299	-
November 1997	64,299	64,299	-
December 1997	64,299	64,299	-
January 1998	64,299	64,299	-
February 1998	64,299	64,299	-
March 1998	64,299	64,299	-
April 1998	64,299	64,299	-
May 1998	64,299	64,299	-
June 1998	64,299	64,299	-
July 1998	64,299	64,299	-
August 1998	64,299	64,299	-
September 1998	64,299	64,299	-
October 1998	64,299	64,299	-
November 1998	64,299	64,299	-
December 1998	64,299	64,299	-
January 1999	64,299	64,299	-
February 1999	64,299	64,299	-
March 1999	64,299	64,299	-
April 1999	64,299	64,299	-
May 1999	64,299	64,299	-
June 1999	64,299	64,299	-
July 1999	64,299	64,299	-
August 1999	64,299	64,299	-
September 1999	64,299	64,299	-
October 1999	64,299	64,299	-
November 1999	64,299	64,299	-
December 1999	64,299	64,299	-
January 2000	64,299	64,299	-
February 2000	69,915	69,909	6
March 2000	69,915	69,839	76
April 2000	69,915	69,839	76
May 2000	69,915	69,839	76
June 2000	69,915	69,839	76
July 2000	69,915	69,839	76
August 2000	69,915	69,839	76
September 2000	69,915	69,839	76
October 2000	69,915	69,839	76
November 2000	69,915	69,839	76
December 2000	69,915	69,839	76
January 2001	69,915	69,839	76
February 2001	69,915	69,839	76
March 2001	69,915	69,839	76

RANCHO BUSINESS CENTER PHASES I AND II
MINIMUM RENT AND ADJUSTED MINIMUM RENT SCHEDULE
FOR PERIOD 1/1/1990-6/30/2006

<u>Payment for Period:</u>	<u>Minimum Rent Due</u>	<u>Minimum Rent Paid</u>	<u>Amount Due to County</u>
April 2001	69,915	69,839	76
May 2001	69,915	69,839	76
June 2001	69,915	69,839	76
July 2001	69,915	69,839	76
August 2001	69,915	69,839	76
September 2001	69,915	69,839	76
October 2001	69,915	69,839	76
November 2001	69,915	69,839	76
December 2001	69,915	69,839	76
January 2002	69,915	69,839	76
February 2002	69,915	69,839	76
March 2002	69,915	69,839	76
April 2002	69,915	69,839	76
May 2002	69,915	69,839	76
June 2002	69,915	69,839	76
July 2002	69,915	69,839	76
August 2002	69,915	69,839	76
September 2002	69,915	69,839	76
October 2002	69,915	69,839	76
November 2002	69,915	69,839	76
December 2002	69,915	69,839	76
January 2003	69,915	69,839	76
February 2003	69,915	69,839	76
March 2003	69,915	69,839	76
April 2003	69,915	69,839	76
May 2003	69,915	69,839	76
June 2003	69,915	69,839	76
July 2003	69,915	69,839	76
August 2003	69,915	69,839	76
September 2003	69,915	69,839	76
October 2003	69,915	69,839	76
November 2003	69,915	69,839	76
December 2003	69,915	69,839	76
January 2004	69,915	69,839	76
February 2004	69,915	69,839	76
March 2004	69,915	69,839	76
April 2004	69,915	69,839	76
May 2004	69,915	69,839	76
June 2004	69,915	69,839	76
July 2004	69,915	69,839	76
August 2004	69,915	69,839	76
September 2004	69,915	69,839	76
October 2004	69,915	69,839	76
November 2004	69,915	69,839	76
December 2004	69,915	69,839	76

RANCHO BUSINESS CENTER PHASES I AND II
MINIMUM RENT AND ADJUSTED MINIMUM RENT SCHEDULE
FOR PERIOD 1/1/1990-6/30/2006

<u>Payment for Period:</u>	<u>Minimum Rent Due</u>	<u>Minimum Rent Paid</u>	<u>Amount Due to County</u>
January 2005	69,915	69,839	76
February 2005	82,507	82,421	86
March 2005	82,507	82,421	86
April 2005	82,507	82,421	86
May 2005	82,507	82,421	86
June 2005	82,507	82,421	86
July 2005	82,507	82,421	86
August 2005	82,507	82,421	86
September 2005	82,507	82,421	86
October 2005	82,507	82,421	86
November 2005	82,507	82,421	86
December 2005	82,507	82,421	86
January 2006	82,507	82,421	86
February 2006	82,507	82,421	86
March 2006	82,507	82,421	86
April 2006	82,507	82,421	86
May 2006	82,507	82,421	86
June 2006	82,507	82,421	86
			<u>\$ 5,932</u>

RANCHO BUSINESS CENTER PHASES IIIA
MINIMUM RENT AND ADJUSTED MINIMUM RENT SCHEDULE
FOR PERIOD 12/1/1998-6/30/2006

Payment for Period:	Minimum Rent Due	Minimum Rent Paid	Amount Due to County
December 1998	\$ 3,239	\$ 3,239 *	\$ -
January 1999	3,239	3,239 *	-
February 1999	3,239	3,239 *	-
March 1999	3,239	3,239 *	-
April 1999	3,239	3,239 *	-
May 1999	3,239	3,239 *	-
June 1999	3,239	3,239 *	-
July 1999	3,239	3,239 *	-
August 1999	3,239	3,239 *	-
September 1999	3,239	3,239 *	-
October 1999	3,239	3,239 *	-
November 1999	3,239	3,239 *	-
December 1999	3,239	3,239 *	-
January 2000	3,239	2,230 *	1,009
February 2000	3,239	1,069	2,170
March 2000	3,239	3,239	-
April 2000	3,239	3,239	-
May 2000	3,239	3,239	-
June 2000	3,239	3,239	-
July 2000	3,239	3,239	-
August 2000	3,239	3,239	-
September 2000	3,239	3,239	-
October 2000	3,239	3,239	-
November 2000	3,239	3,239	-
December 2000	5,004	5,004	-
January 2001	5,004	5,004	-
February 2001	5,004	5,004	-
March 2001	5,004	5,004	-
April 2001	5,004	5,004	-
May 2001	5,004	5,004	-
June 2001	5,004	5,004	-
July 2001	5,004	5,004	-
August 2001	5,004	5,004	-
September 2001	5,004	5,004	-
October 2001	5,004	5,004	-
November 2001	5,004	5,004	-
December 2001	5,004	5,004	-
January 2002	5,004	5,004	-
February 2002	5,004	5,004	-
March 2002	5,004	5,004	-
April 2002	5,004	5,004	-
May 2002	5,004	5,004	-
June 2002	5,004	5,004	-
July 2002	5,004	5,004	-
August 2002	5,004	5,004	-
September 2002	5,004	5,004	-
October 2002	5,004	5,004	-
November 2002	5,004	5,004	-
December 2002	11,001	11,001	-

RANCHO BUSINESS CENTER PHASES IIIA
MINIMUM RENT AND ADJUSTED MINIMUM RENT SCHEDULE
FOR PERIOD 12/1/1998-6/30/2006

Payment for Period:	Minimum Rent Due	Minimum Rent Paid	Amount Due to County
January 2003	11,001	11,001	-
February 2003	11,001	11,001	-
March 2003	11,001	11,001	-
April 2003	11,001	11,001	-
May 2003	11,001	11,001	-
June 2003	11,001	11,001	-
July 2003	11,001	11,001	-
August 2003	11,001	11,001	-
September 2003	11,001	11,001	-
October 2003	11,001	11,001	-
November 2003	11,001	11,001	-
December 2003	11,001	11,001	-
January 2004	11,001	11,001	-
February 2004	11,001	11,001	-
March 2004	11,001	11,001	-
April 2004	11,001	11,001	-
May 2004	11,001	11,001	-
June 2004	11,001	11,001	-
July 2004	11,001	11,001	-
August 2004	11,001	11,001	-
September 2004	11,001	11,001	-
October 2004	11,001	11,001	-
November 2004	11,001	11,001	-
December 2004	11,718	11,718	-
January 2005	11,718	11,718	-
February 2005	11,718	11,718	-
March 2005	11,718	11,718	-
April 2005	11,718	11,718	-
May 2005	11,718	11,718	-
June 2005	11,718	11,718	-
July 2005	11,718	11,718	-
August 2005	11,718	11,718	-
September 2005	11,718	11,718	-
October 2005	11,718	11,718	-
November 2005	11,718	11,718	-
December 2005	11,718	11,718	-
January 2006	11,718	11,718	-
February 2006	11,718	11,718	-
March 2006	11,718	11,718	-
April 2006	11,718	11,718	-
May 2006	11,718	11,718	-
June 2006	11,718	11,718	-
	<u>\$ 684,498</u>	<u>\$ 681,319</u>	<u>\$ 3,179</u>

* These payments were from the reductions in the good faith deposit that was made by Fremont at the beginning of the lease.

Note: From August 7, 1998 through November 30, 1998, monthly non-refundable holding payments of \$1,503 were due and paid by Fremont. The total non-refundable holding payments due and paid was \$5,667.

RANCHO BUSINESS CENTER PHASES I AND II
GROSS PERCENTAGE RENT SCHEDULE
FOR PERIOD 2/1/1997 TO 6/30/2006

	<u>2/1/1997-1/31/1998</u>	<u>2/1/1998-1/31/1999</u>	<u>2/1/1999-1/31/2000</u>	<u>2/1/2000-1/31/2001</u>	<u>2/1/2001-1/31/2002</u>
Gross Rent Amount (Net of allowable expenditures)	\$ 3,065,144	\$ 3,171,045	\$ 3,443,744	\$ 3,388,496	\$ 3,682,226
Percentage Rent due to County of Los Angeles	153,257	158,552	172,187	169,425	184,111
Amount Paid by Fremont	<u>(112,817)</u>	<u>(101,173)</u>	<u>(126,390)</u>	<u>(122,319)</u>	<u>(138,258)</u>
Amount Payable to County of Los Angeles	<u>\$ 40,440</u>	<u>\$ 57,379</u>	<u>\$ 45,797</u>	<u>\$ 47,106</u>	<u>\$ 45,853</u>

<u>2/1/2002-1/31/2003</u>	<u>2/1/2003-1/31/2004</u>	<u>2/1/2004-1/31/2005</u>	<u>2/1/2005-1/31/2006</u>	<u>2/1/2006-6/30/2006</u>	<u>Total</u>
\$ 3,741,746	\$ 3,921,006	\$ 4,136,899	\$ 4,129,274	\$ 1,704,803	\$ 34,384,383
187,087	196,050	206,845	206,464	85,240	1,719,218
(127,580)	(146,726)	(148,238)	(150,088)	(62,790)	(1,236,379)
<u>\$ 59,507</u>	<u>\$ 49,324</u>	<u>\$ 58,607</u>	<u>\$ 56,376</u>	<u>\$ 22,450</u>	<u>\$ 482,839</u>

RANCHO BUSINESS CENTER PHASES IIIA
GROSS PERCENTAGE RENT SCHEDULE
FOR PERIOD 12/1/2005 TO 6/30/2006

	<u>12/1/2005-6/30/2006</u>
Gross Rent Amount (Net of allowable expenditures)	<u>\$ 388,760</u>
Percentage Rent due to County of Los Angeles	19,438
Amount Paid by Fremont	<u>(14,812)</u>
Amount Payable to County of Los Angeles	<u>\$ 4,626</u>

RANCHO BUSINESS CENTER PHASES I AND II
ADDITIONAL RENT SCHEDULE
FOR PERIOD 1/1/1990 TO 6/30/2006

No Additional Rent was required by Fremont

RANCHO BUSINESS CENTER PHASES IIIA
ADDITIONAL RENT SCHEDULE
FOR PERIOD 12/1/1998 TO 6/30/2006

No Additional Rent was required by Fremont

RANCHO BUSINESS CENTER PHASES I, II, AND IIIA
SUMMARY OF AMOUNT DUE TO COUNTY

Minimum Rent and Adjusted Minimum Rent Underpayment

Phases I and II	\$ 5,932
Phase IIIA	<u>3,179</u>

Total Minimum Rent and Adjusted Minimum Rent Underpayment \$ 9,111

Gross Percentage Rent Underpayment

Phases I and II	482,839
Phase IIIA	<u>4,626</u>

Total Gross Percentage Rent Underpayment 487,465

Total Underpayment to County of Los Angeles \$ 496,576